**Text 2. The fundamental problem of economics**

**2. Discuss the answers to the questions (orally):**

1. What is the fundamental problem of economic?

The fundamental problem of economics is the following two facts: the first is that society’s material wants are unlimited; the second is that economic resources are limited or scare.

2. What are economic resources?

Economic resources are the means of producing goods and services.

3. How can economic resources be classified?

Economic resources can be classified into property and human resources.

4. What is land in economic sense?

Land refers to all natural resources which are usable in the productive process. Such resources are arable land, forests, mineral and oil deposits, water resources come under this general classification.

5. What does capital include?

Capital, or investment goods, refers to all manufactured aids to production, that is, all tools, machinery, equipment, and factory, storage, transportation and distribution facilities used in producing goods and services. It is a man-made resource.

6. Is there any difference between real capital and money capital?

Real capital - tools, machinery, and other productive equipment - is an economic resource; money or financial capital is not.

7. What is the difference between capital goods and consumer goods?

Consumer goods are defined as the goods used by the end user for consumption. Capital goods are the goods deployed to produce consumer goods.

8. What does the term laissez faire mean?

The term laissez faire translates as "let it be", that is, keep the government from interfering with the economy.

9. How is economic activity coordinated in pure capitalism?

The market system functions as a mechanism through which individual decision and preferences are communicated and coordinated. The fact that goods and services are produced and resources are supplied under competitive condition means there are many independently acting buyers and sellers of each product and resource.

10. What is a hallmark of mixed economy?

The use of both market signals and nonmarket directives is the hallmark of a mixed economy.

**3. Find an appropriate heading for each paragraph of the text:**

1. C. main points of economizing problem

2. E. material wants

3. D. classification of economic resources

4. A. responses of world economic systems to the economizing problem

5. G. pure capitalism

6. F. command economy

7. B. mixed economy

**4. Find English equivalents of the following Russian words and word combination:**

|  |  |
| --- | --- |
| 1. административно-командная система хозяйствования | e. command economy |
| 2. организационно-техническая база сбыта продукции | f. distribution facilities |
| 3.  проблема минимизации издержек | h. economizing problem |
| 4. средства производства | a. property resources |
| 5. материальные ресурсы | g. investment goods |
| 6. производственные мощности | d. production facilities |
| 7. общий объем производства | c. total output |
| 8. правовая система | b. legal  framework |

**5. Find the definition of the following terms:**

|  |  |
| --- | --- |
| 1. economic resources | j. Means of producing goods and services. |
| 2. land | a. A “gift of nature” including any valuable mineral deposits. |
| 3. capital | b. Investment goods used to produce other goods. |
| 4. labor | c. An essential element in all forms of production. It represents all forms of work, both physical and mental. |
| 5. command economy | g. An economy that relies on central planning rather than decentralized markets. |
| 6. pure capitalism | f. A system with the private ownership of resources and the use of markets and prices to coordinate and direct economic activity. |
| 7.mixed economy | i. An economy that uses market signals and government intervention. |
| 8. ownership | d. Legal possession of something, usually big and valuable. |
| 9. scarcity | e. A situation in which the supply of something is not enough for the people who want or need it. |
| 10. hallmark | h. A typical feature; an official mark on an object made of gold or silver, showing the quality of the metal and where the object was made. |

**6. Mark the statement true (T) or false (F):**

|  |  |  |
| --- | --- | --- |
| **Statement** | **T** | **F** |
| 1. Economic problem arise because resources are limited, but there are limitless human wants. | **T** |  |
| 2. Money or financial capital is considered to be an economic resource. |  | F |
| 3. Human resources can be classified into mental and physical resources. | T |  |
| 4. Land comprises the natural resources of the earth, such as forests, mineral and oil deposits. | T |  |
| 5. Command economies rely on market systems and prices to coordinate economic activity. |  | F |
| 6. Product and services are scarce because resources are scarce. |  | F |
| 7. The term laissez faire means to keep the government from interfering with the economy. | T |  |

**7. Match the words having the opposite meaning:**

|  |  |
| --- | --- |
| 1. legal | e. illegal |
| 2. advance | d. regress |
| 3. similar | f. dissimilar |
| 4. private | h. public |
| 5. mental | b. physical |
| 6. stability | g. instability |
| 7. rapid | a. slow |
| 8. broad | c. narrow |

**8. Choose the answer from the alternatives:**

1. The economizing problem is one of deciding how to make the best use of:

a) unlimited resources to satisfy unlimited wants.

b) limited resources to satisfy unlimited wants.

c) unlimited resources to satisfy limited wants.

d) limited resources to satisfy limited wants.

2. The fundamental problem of economics is:

a) the scarcity of productive resources relative to material wants.

b) the establishment of prices which reflect the relative scarcities of products and resources.

c) to establish an equitable system of personal and business taxation.

3. Because of their scarcity, the efficient use of resources is:

a) an important issue in all economies.

b) an important issue only in centrally planned economy;

c) an important issue only in market economy;

d) not an important issue.

4. Money is not considered to be an economic resource because:

a) money is not a free gift of nature;

b) money is not productive;

c) the term of trade can be determined in nonmonetary terms.

5. The term "laissez faire" suggests that:

a) land and other natural resources should be privately owned, but capital should be publicly owned;

b) land and other natural resources should be publicly owned, but capital equipment should be privately owned;

c) government should not interfere with the operation of the economy.

**9. Fill in the blanks using the words from the box:**

The science of economics centers upon two basic facts: first, human material wants are 1) unlimited; second, economic resources are 2) scarce. Economic resources may be classified as property resources 3) land and 4) capital or as human resources 5) labor. Land comprises the natural resources of the earth, the 6) “gift of nature”. Land, in its economic sense, is a 7) factor of production which, when combined with labor and capital produces goods such as food and raw materials. Labor is divided into 8) physical and 9) mental. Capital is a 10) man-made resource which is used to make further production possible.

**10. Complete the sentences with Participle I or Participle II**

1. The goods produced by the company are in great demand.

2. A new model of equipment developed by this company is rather interesting.

3. They saw overturned tables and chairs and pieces of broken glass over the room.

4. Nobody saw the things kept in that box.

5. The books written by Dickens give us a realistic picture of the 19th century England.

**11. Change the subordinate clause (in bold type) for the Participle I or Participle II.**

1. Feeling now more at ease, the woman spoke in a louder voice.

2. Knowing who the man was, Tom was very pleased to have the chance of talking to him.

3. Thinking that it was his brother at the window, Steve decided to open it.

4. The young man helping the professor in his experiments studies at our university.

5. You must have much practice when learning to speak a foreign language.

**12. Use Participle I or Participle II:**

1) Written in very bad handwriting, the letter was difficult to read.

2) Not wishing to discuss that difficult and painful problem, he changed the subject.

3) Translated by a good specialist, the story preserved all the sparkling humour of the original.

4) Having been approved by the critics, the young author's story was accepted by a thick magazine.

5) Having phoned the agency, the manager left saying he would be back in two hours.